

Message Text

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L-03 FEA-01 INT-05 SS-15 NSC-05 SSO-00 NSCE-00
INRE-00 USIE-00 /100 W
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O R 041822Z MAY 77
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 3708
INFO ALL EC CAPITALS
AMEMBASSY BERN
AMEMBASSY CANBERRA
AMEMBASSY MADRID
AMEMBASSY OTTAWA
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
USMISSION GENEVA
USMISSION OECD PARIS IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 3 EC BRUSSELS 4522

OECD FOR DEPUTY ASST SECRETARY BOSWORTH

E.O. 11652: GDS
TAGS: EEC, CIEC
SUBJECT: EC FOREIGN MINISTERS COUNCIL, MAY 3, 1977: CIEC
DISCUSSION

1. SUMMARY: EC COMMISSION, COUNCIL SECRETARIAT AND
PERMDEL OFFICIALS ARE PLEASED WITH THE RESULTS OF THE
MAY 3 FOREIGN MINISTERS COUNCIL'S DECISION REGARDING A
PROPOSED FINAL CIEC PACKAGE. THESE OFFICIALS BELIEVE
THAT THE EC HAS PUT TOGETHER A CREDIBLE PACKAGE WHICH
RESPONDS TO THE VARIOUS INTERESTS OF THE G-19. THE FOREIGN
MINISTERS AGREED ON A ONE BILLION DOLLAR
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FIGURE FOR CIEC SPECIAL ACTION ON BEHALF OF THE
POOREST COUNTRIES AND ON A COMMUNITY STUDY OF AN
INTERNATIONAL STABEX SCHEME. THEY ALSO DECIDED THE
EC SHOULD PROPOSE TO THE G-8 AN INTERNATIONAL
STUDY OF STABEX. THE MINISTERS ALSO BRIEFLY DISCUSSED
AID LEVELS, RAW MATERIALS AND COMMON FUND ISSUES.
THE EC PLANS TO DISCUSS ITS PROPOSED PACKAGE AT THE

DOWNING STREET SUMMIT. THERE ARE STILL DISAGREEMENTS AMONG MEMBER STATES TO BE IRONED OUT, HOWEVER. END SUMMARY.

2. SPECIAL ACTION:

THE MINISTERS' DECISION THAT THE EC SHOULD PROPOSE IN PARIS THAT THE G-8 AGREE TO ONE BILLION DOLLARS OF SPECIAL ACTION AID REPRESENTED A COMPROMISE CONSENSUS, TAKING INTO ACCOUNT THE DUTCH PREFERENCE THAT THE FIGURE SHOULD BE DOUBLED AND ITALIAN INSISTENCE THAT THE AMOUNT WAS ALREADY TOO LARGE. THE COUNCIL AGREED THAT THE \$1 BILLION AMOUNT SHOULD BE PUT FORWARD AS A FINAL POSITION. HOWEVER, TO SATISFY THE DUTCH, THE MINISTERS DID AGREE, AS WELL, THAT THE BILLION DOLLAR FIGURE SHOULD BE KEPT UNDER REVIEW IN LIGHT OF DISCUSSIONS IN PARIS AND THAT THE EC SHOULD RETAIN SOME FLEXIBILITY IN ITS POSITION ON THIS ISSUE. OUR SOURCES EXPECT THE AMOUNT WILL BE NEGOTIATED UPWARD IN THE FINAL DAYS OF CIEC. THEY BELIEVE, HOWEVER, THAT THE FINAL G-8 CONTRIBUTION WILL NOT EXCEED \$1.5 BILLION.

3. THE MINISTERS AGREED THAT THE EC LINE IN THE G-8 SHOULD BE NOT TO SUBMIT THE SPECIAL ACTION PROPOSAL TO THE G-19 IN WRITING DURING THE CONTACT GROUP PHASE; IT SHOULD, RATHER, BE THE SUBJECT OF UNOFFICIAL DISCUSSIONS WITH INDIVIDUAL G-19 PARTICIPANTS. ANY OFFICIAL FORMULATION OF THE PROPOSAL CONFIDENTIAL

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SHOULD BE CONTINGENT UPON POSITIVE SIGNALS FROM THE G-19 WITH RESPECT TO A BALANCED AND ACCEPTABLE FINAL RESULT TO THE DIALOGUE. THE COUNCIL AGREED, AT THE URGING OF FRG FOREIGN MINISTER GENSCHER, TO ASK AT CIEC THAT THE OPEC COUNTRIES CONTRIBUTE TO SPECIAL ACTION AND THAT NON-G-8 OECD COUNTRIES AND THE EAST EUROPEAN COUNTRIES MAKE CONTRIBUTIONS IN PARALLEL WITH THIS SPECIAL AID.

4. THE MINISTERS ALSO ADOPTED AN EC POSITION ON A KEY FOR DIVIDING THE BILLION DOLLARS AMONG THE G-8: 75 PERCENT FOR THE US AND THE EC (37.5 PERCENT EACH) AND 25 PERCENT FOR THE OTHER SIX STATES--TO BE DIVIDED PROPORTIONALLY ACCORDING TO THEIR CONTRIBUTIONS TO THE FIFTH IDA REPLENISHMENT OR SOME OTHER MUTUALLY AGREED FORMULA. (THE FRENCH INITIALLY TOOK THE VIEW THAT THE US SHOULD BE ASKED TO CONTRIBUTE SOMEWHAT MORE THAN THE EC, BASED UPON AID AS A PERCENTAGE OF GNP.)

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5. ITALIAN FOREIGN MINISTER FORLANI ASKED THAT THE
GOI SHARE OF THE SPECIAL ACTION E REDUCED BECAUSE
OF ITS BALANCE OF PAYMENTS PROBLEMS. THE COUNCIL
DECIDED TO REDUCE WHAT WOULD BE THE NORMAL ITALIAN
CONTRIBUTION ACCORDING TO THE IDA KEY BY ONE PERCENT.
AS A RESULT, THE AGREED SHARES FOR THE
MEMBERS STATES ARE: THE FRG, 30.93 PERCENT; THE UK,
29.87 PERCENT; FRANCE, 14.67 PERCENT; ITALY, 9.07
PERCENT; THE NETHERLANDS, 8 PERCENT; BELGIUM, 4.13
PERCENT; DENMARK, 2.93 PERCENT; IRELAND, 0/27 PERCENT;
AND LUXEMBOURG, 0.13 PERCENT.

6. THE MINISTERS DECIDED THAT THE EC SHOULD PROPOSE
TO THE G-8 THAT SPECIAL ACTION AID BE CHANNELED MULTI-
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LATERALLY THROUGH IDA AND THAT IT SHOULD BE ADDITIONAL TO CURRENT AID FLOWS. A SINGLE G-8 OFFER WOULD BE THE ONLY WAY OF IMPRESSING THE G-19 THAT THE AID WAS CONNECTED ONLY WITH CIEC AND WOULD NOT OTHERWISE HAVE BEEN FORTHCOMING. PERMREP AND COUNCIL SOURCES HAVE TOLD US THE FRENCH TOOK THE UNCOMPROMISING POSITION THAT IF THE US, OR OTHER G-8 MEMBERS, INSIST ON CHANNELING BILATERALLY OR ON SIMPLY RE-DESIGNATING PREVIOUSLY COMMITTED AID FUNDS AS THEIR SPECIAL ACTION CONTRIBUTIONS, THEN THE GOF WOULD HAVE TO REVISE ITS OWN ATTITUDES ON CHANNELING. THE GOF AND OTHERS ARE CONCERNED THAT MOST OF THE G-8 MEMBERS ARE CONSIDERING PARALLEL BILATERAL CONTRIBUTIONS RATHER THAN USING IDA. THEY WANT TO MAKE IT CLEAR THAT IDA SHOULD BE THE MAIN CHANNEL AND THAT BILATERAL CONTRIBUTIONS SHOULD BE HELD TO A MINIMUM, IF AT ALL. UK FOREIGN MINISTER OWEN REPORTEDLY AGREED TO TAKE THIS MATTER UP WITH SECRETARY VANCE IN LONDON.

7. THE COUNCIL DID NOT REVIEW THE DETAILS FOR CARRYING OUT THE SPECIAL ACTION. IT FAVORED GRANTING THE AID TO THE POOREST LDCS ALONG THE LINES OF THE COMMISSION PROPOSED LIST OF 35 LDCS WITH PER CAPITA INCOME OF UNDER \$120. FRG FOREIGN MINISTER GENSCHER EMPHASIZED THAT THIS OFFER SHOULD BE LINKED WITH G-19 AGREEMENT TO PROTECT FOREIGN PRIVATE INVESTMENT AND TO CONTINUE ENERGY CONSULTATIONS IN AN APPROPRIATE FORUM.

8. STABEX:

BELGIAN FOREIGN MINISTER VAN ELSLANDE, ACCORDING TO OUR SOURCES, INSISTED THAT THE EC SHOULD REACH A COMMON POSITION REGARDING A GLOBAL STABEX BEFORE IT SUGGESTS AN INTERNATIONAL STUDY. THE COUNCIL CONSEQUENTLY AGREED TO A COMPROMISE: 1) PROPOSING TO THE G-8 THAT CIEC SHOULD CALL FOR AN INTERNATIONAL CONFIDENTIAL

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STUDY OF STABEX; AND 2) THAT THE EC SHOULD UNDERTAKE ITS OWN STUDY OF THE IMPLICATIONS OF AN INTERNATIONAL STABEX SCHEME, ADDRESSING SUCH QUESTIONS AS WHICH COUNTRIES SHOULD BENEFIT, WHICH PRODUCTS SHOULD BE COVERED, AND WHAT MECHANISM SHOULD BE EMPLOYED.

9. EC OFFICIALS SAY THAT THE COUNCIL FAVORS THE FOLLOWING: 1) THE IMF/IBRD DEVELOPMENT COMMITTEE SHOULD CARRY OUT THE INTERNATIONAL STUDY; 2) A GLOBAL STABEX SHOULD BE BASED ON A BASKET OF COMMODITIES FOR ONLY THE POOREST LDCS; AND 3) STABEX SHOULD SUPPLEMENT

FINANCING BY THE IMF COMPENSATORY FINANCING FACILITY.
THESE OFFICIALS ADD THAT THE EC IS NOT LIKELY TO REACH
AGREEMENT ON THE SPECIFIC MODALITIES OF STABEX BEFORE
THE END OF CIEC. THEY SAY, HOWEVER, THAT AS PART OF
THE FINAL PACKAGE THE EC MIGHT BE PREPARED TO INDICATE
A FAVORABLE DISPOSITION TOWARD STABEX, SHOULD A STUDY
INDICATE THAT IT IS DESIRABLE AND
FEASIBLE.

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10. ODA:

THE EC HIGH LEVEL CIEC WORKING GROUP, WHICH HAS
BEEN MEETING BOTH IN PARIS AND BRUSSELS, HAS REACHED AGREEMENT
ON THE OUTLINES OF AN ODA FORMULA FOR CIEC. THE COUNCIL
DID NOT DISCUSS THIS FORMULA IN DETAIL, BUT WE ARE TOLD
IT AGREED TO ITS THRUST. THE PROPOSAL CALLS ON DONOR
COUNTRIES WHICH HAVE NOT ATTAINED THE 0.7 PERCENT ODA
TARGET TO INCREASE EFFECTIVELY AND SUBSTANTIALLY THEIR
ODA. EFFORTS MADE BY DONOR COUNTRIES SHOULD BE
GREATER THE FURTHER THEY ARE FROM REACHING THE TARGET.

COUNTIRES WHICH HAVE NOT REACHED THE TARGET SHOULD
CONSIDER ADOPTING NEW AND ADDITIONAL MEASURES AND/OR
PLANS TO INCREASE CONCESSIONAL FLOWS. NO FIGURE HAS
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YET BEEN AGREED TO REGARDING THE PERCENTAGE THAT ODA
SHOULD BE INCREASED ANNUALLY. BUT, DONORS ARE ASKED
TO SET ASIDE A PERCENTAGE OF THEIR ANNUAL GNP
INCREASE FOR AUGMENTED ODA FLOWS. (THE MISSION
HAS THE FULL TEXT OF THIS PROPOSED FORMULA WHICH IT
IS SENDING BY SEPTTEL). EC OFFICIALS SAY THE COUNCIL
WAS CONCERNED THAT THE US AND OTHER G-8 MEMBERS WERE
NOT PREPARED TO MAKE A COMMITMENT TO INCREASE
ODA SUBSTANTIALLY. MINISTERS SEEMED TO BE PARTICULARLY
ANXIOUS THAT THE US AGREE TO NEW AND ADDITIONAL
MEASURES TO INCREASE ITS CONCESSIONAL AID FLOWS.

11. PURCHASING POWER:

THE COMMISSION TABLED A FORMULA DESIGNED TO TAKE
INTO ACCOUNT FRG AND UK RESERVATIONS ON THE NAIROBI
COMMODITIES RESOLUTION. THIS FORMULA SUGGESTED ADDING
A CHAPEAU TO THE SECTION OF THE RESOLUTION DEALING
WITH PROTECTION OF PURCHASING POWER ALONG THE FOLLOWING LINES:
"IN ORDER TO STABILIZE DEVELOPING COUNTRY PRICES OVER
THE LONG-TERM PRICE TREND IN THE INTERNATIONAL MARKET,
...." THE UK AND FRG RESERVED ON THIS PROPOSAL, BUT
EC OFFICIALS EXPECT THAT A COMPROMISE WILL BE WORKED
OUT IN PARIS ALONG THESE LINES.

12. COMMON FUND:

THE COUNCIL AGREED TO REAFFIRM THE DECISION
OF THE MARCH 25-26 EUROPEAN COUNCIL: "THERE SHOULD BE A COMMON
FUND". THE MINISTERS ALSO BRIEFLY DISCUSSED GUIDELINES
FOR POSSIBLE "OWN RESOURCES" FOR A COMMON FUND.

13. ENERGY:

AFTER THE CONCLUSION OF CIEC, THE MINISTERS
AGREED THAT CONSULTATIONS ON ENERGY SHOULD CONTINUE.
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THEY WERE FLEXIBLE ON THE FORUM FOR SUCH CONSULTATIONS,
FAVORING A LIMITED BODY SUCH AS THE CIEC ENERGY
COMMISSION. SUCH A BODY SHOULD DEAL WITH ENERGY

INVESTMENTS.

14. FOLLOW-UP:

EC OFFICIALS SAY THAT THE COUNCIL PRESIDENCY AND THE COMMISSION, AS APPROPRIATE, WILL MAKE REPRESENTATIONS IN G-8 CAPITALS REGARDING THE COUNCIL'S DECISIONS. THE COUNCIL GAVE THE EC HIGH LEVEL WORKING GROUP AUTHORITY TO ACT WITH SOME LATITUDE AND FLEXIBILITY IN CARRYING OUT ITS DECISIONS. THESE OFFICIALS SAY THAT, DURING THEIR RESTRICTED SESSION, THE FOREIGN MINISTERS ADVOCATED A DISCUSSION AT THE DOWNING STREET SUMMIT OF THE EC'S PROPOSED FINAL CIEC PACKAGE. EC OFFICIALS BELIEVE THE SUMMIT'S CONCLUSIONS WILL BE CRITICAL IN DETERMINING THE MAIN OUTLINES OF A G-8 FINAL PACKAGE. THEY ADD THAT ONCE THESE OUTLINES ARE KNOWN, THE G-19 WILL HAVE TO DECIDE WHETHER THE PACKAGE IS SUFFICIENTLY ATTRACTIVE TO REACH A FINAL CONSENSUS. HINTON

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